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FARMERS' NEWSLETTER

Feed Grains



June 81/F-18

Corn: The Weather-Related Price Outlook

Prices for corn and other feed grains continue to run well above a year ago because of strong demand for this year's smaller supply. Feed grain use--domestic use plus exports--is down only moderately from last year, which will translate into the smallest end-of-season stocks since 1975/76. Carryover stocks of each of the four feed grains are likely to decline.

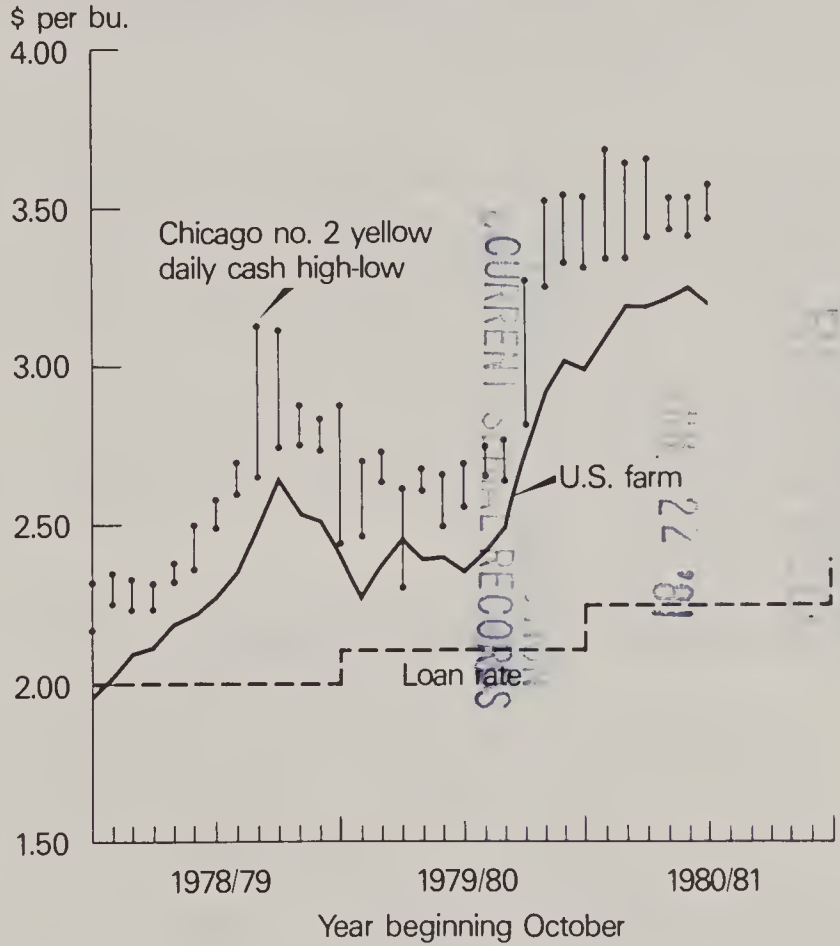
Farm corn prices for the current marketing year--which ends September 30--are now estimated at \$3.20 per bushel, compared with \$2.52 last year. In the first 7 months of this season (October to April), they averaged \$3.16.

How weather this spring and summer will affect 1981 yields and grain prices for the rest of the year and into 1982, of course, is the overriding question in shaping your marketing plans.

Over the next few months, prices will be more sensitive than usual to new-crop prospects because feed grain supplies will be tight just before harvest. If weather reduces harvests again this year, look for strong upward pressure on prices.

But if weather is favorable and crop yields are in line with trends, prices in the coming season likely will be somewhat lower than this year. Thus, we are in a weather-related market, and this will continue at least until we have a better fix on the size of 1981 harvests.

CORN PRICES CONTINUE STRONG



Early Prospects: Large Crops

- U.S. farmers are expected to seed about 123 million acres to feed grains in 1981, 1 percent more than in 1980. Since soil moisture conditions have improved in many areas and corn prices continue favorable relative to soybeans, corn plantings could be about a million acres above 1980 plantings and March 1 intentions of 84 million acres.

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The next feed grains newsletter is scheduled for early August.

● Yields for corn and soybeans likely will be higher than the reduced 1980 yields. Larger acreage and higher yields could raise total feed grain production near the 1979 record of 238 million metric tons.

These early estimates are based on analysis of trends, weather, and economic factors, and on the judgment of USDA analysts. The projections carry plus/minus variations to reflect early season uncertainties.

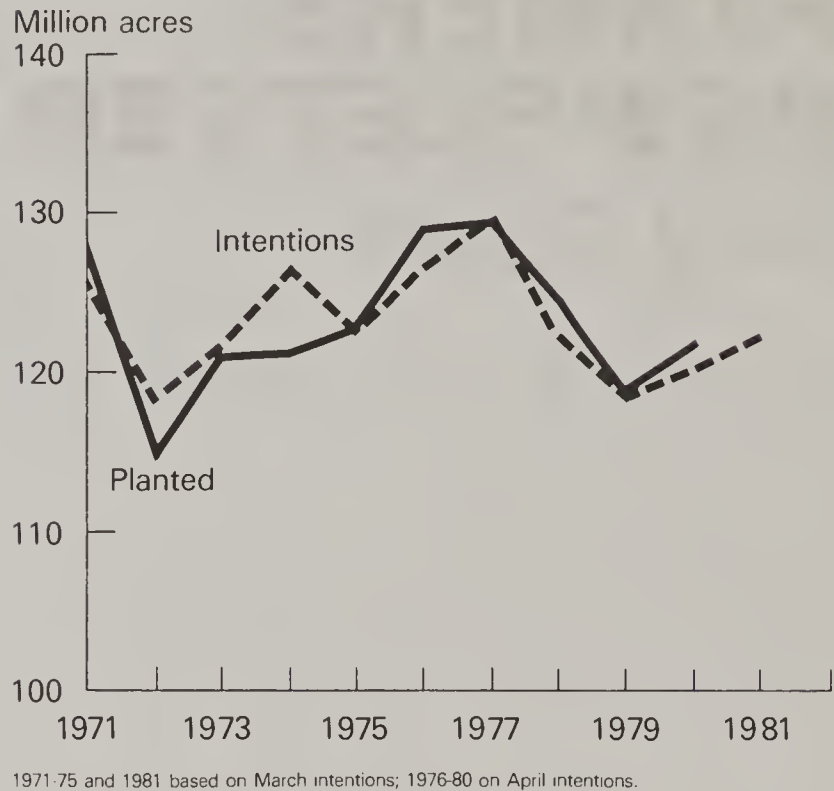
● Total feed grain use in 1981/82 may be up moderately. Improved livestock feeding margins could result in slightly more feed use, and more corn will be used in gasohol and sweetener production. Exports may be about the same as the record 73 million metric tons estimated for the current marketing year. Carryover stocks would be moderately larger than the low levels expected this year.

CORN USE LARGE, STOCKS DECLINING

| Item | October-September Marketing Year | | |
|--|----------------------------------|----------------------|--------------------|
| | 1980/81 ¹ | 1981/82 ² | Range ³ |
| | Million bales | | |
| Carryover, October 1 . . . | 1,617 | 866 | |
| Production | 6,648 | 7,725 | ± 775 |
| Imports | 1 | 1 | |
| Supply, total | 8,266 | 8,592 | ± 775 |
| Domestic use: | | | |
| Fed to livestock and poultry | 4,100 | 4,100 | ± 350 |
| Food, industry, and seed | 750 | 840 | ± 35 |
| Total | 4,850 | 4,940 | ± 365 |
| Exports | 2,550 | 2,550 | ± 200 |
| Use, total | 7,400 | 7,490 | ± 500 |
| Ending stocks | | | |
| "Free" | 626 | 837 | |
| Farmer-owned reserve | --- | 25 | |
| CCC inventory | 240 | 240 | |
| Total | 866 | 1,102 | ± 400 |
| Farm price (\$/bu.) | 3.20 | 2.75-3.35 | |

¹ Preliminary. ² Projected. ³ Chances are about 2 out of 3 that the outcome will fall within the indicated range.

FEED GRAIN INTENTIONS NEAR 1980 PLANTINGS



● Prices are likely to average near to slightly lower than this season:

| | 1980/81 Estimated | 1981/82 Projected |
|---------|----------------------|----------------------|
| | Dollars per bushel | |
| Corn | 3.20 | 2.75 - 3.35 |
| Sorghum | 3.05 | 2.60 - 3.20 |
| Barley | 2.80 | 2.35 - 2.85 |
| Oats | 1.80 | 1.50 - 1.80 |

What To Look For

- Planted acreage. Total acres planted and indicated for harvest this fall will be reported on June 29.
- Crop moisture conditions. As of mid-May, soil moisture was short in a number of grain producing areas. Unless heavier-than-normal precipitation this spring restores subsoil moisture supplies, dry areas will need timely rains throughout the growing season.
- Monthly Crop Production reports. The U.S. Crop Reporting Board's July 10 report will show indicated yield and production as of July 1 for corn, oats, and barley. The August 12 report will

update this information and include the first estimates of the sorghum and soybean crops.

Considerations for Marketing Plans

- For old-crop grain you still own--do you have it in on-farm storage facilities that minimize your costs of holding it for higher prices? Or are you paying commercial storage charges?
- Do you have interest costs on your old-crop grain? On April 16, the Secretary of Agriculture granted farmers an indefinite extension on corn called from the farmer-owned reserve.

But outstanding reserve loans on corn, which previously were interest-free, bear interest at 15-1/4 percent from April 15. This is in addition to any

U.S. COARSE GRAIN ENDING STOCKS TO BE DOWN SHARPLY AS SUPPLIES INCREASE IN MAJOR EXPORTING COUNTRIES

| | United States | Other Major Exporters ¹ |
|----------------------------|---------------|------------------------------------|
| Million metric tons | | |
| 1979/80 | | |
| Supply | | |
| Beginning stocks | 46.4 | 10.6 |
| Production | 238.7 | 50.8 |
| Imports | .3 | 1.0 |
| Total. | 285.4 | 62.4 |
| Use | | |
| Domestic | 161.4 | 36.0 |
| Exports | 71.4 | 19.9 |
| Total. | 232.8 | 55.9 |
| Ending stocks | 52.7 | 6.5 |
| 1980/81 | | |
| Supply | | |
| Beginning stocks | 52.7 | 6.5 |
| Production | 198.7 | 66.8 |
| Imports | .3 | 1.1 |
| Total. | 251.7 | 74.4 |
| Use | | |
| Domestic | 147.8 | 36.9 |
| Exports | 73.1 | 28.7 |
| Total. | 220.9 | 65.6 |
| Ending stocks | 30.8 | 8.8 |

¹ Includes Canada, Australia, Argentina, South Africa, and Thailand. Data shown are total of differing local marketing years.

storage costs you may be paying. The indefinite extension on repaying loans and removing corn from the reserve gives farmers more time and greater flexibility for disposing of their reserve corn, but interest costs should be taken into account.

- Can you take advantage of any price upturns this spring and summer to sell grain for cash, on a contract for forward delivery, or use the futures market to hedge the grain you now have or expect to produce?

With the weather-related market this spring, any concern that may develop about lack of rainfall in major grain areas likely would push prices up. Any short-run scares might help you sell your grain on a market peak. Keep in mind that if rains come in time to save crops, prices could fall just as quickly.

Higher Support and Target Prices For 1981 Grain Crops

On March 31, price support loan rates were announced for 1981 crops of feed grains, wheat, rice, soybeans, and tobacco. All rates are higher than last year except for soybeans.

Loan rates for this year's grain crops placed in the farmer-owned reserve are higher than rates for regular 9-month loans and higher than reserve loan rates last year. The dates when 1981 crops may be entered into the reserve will be determined later.

Target prices are also higher for 1981 crops of feed grains and wheat:

| | Loan Rate | | Target |
|--------------------|-----------|---------|--------|
| | Regular | Reserve | |
| Dollars per bushel | | | |
| Corn | 2.40 | 2.55 | 2.40 |
| Sorghum | 2.28 | 2.42 | 2.55 |
| Barley | 1.95 | 2.07 | 2.60 |
| Oats | 1.24 | 1.31 | -- |
| Wheat | 3.20 | 3.50 | 3.81 |

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None of the 1981 commodity programs requires you to set aside any cropland or to plant within your normal crop acreage to qualify for program benefits.

Interest Rates Raised for Storage Facility and Dryer Loans

Beginning April 1, interest rates charged by the Commodity Credit Corporation (CCC) for 1981-crop price support loans and farm storage facility and dryer loans increased to 14-1/2 percent. Previously, CCC charged 11-1/2 percent on crop loans and 12-1/2 percent on facility and dryer loans.

These changes are based on the cost to CCC of borrowing from the U.S. Treasury. The new interest rate does not apply to 1980 crop loans nor to facility and dryer loans in effect before April 1.

The interest rate on 1981 crop and facility loans made after April 1 will be subject to adjustment each October 1 and April 1.

Changes also were made in terms for storage facility and dryer loans. Check your local ASCS office for further details.

What About Forward Contracts And Futures Markets?

Hedging can help protect farmers against losses, but it is no routine, mechanical process. It takes considerable study and up-to-the-minute market information to be done successfully. Decide for yourself whether to enter into a hedge contract or some other form of forward selling only after careful consideration of your own situation and the alternatives available.

"Futures And The Farmer," reprinted from Farmline magazine, offers an introduction to hedging, discusses factors to consider before deciding upon it, and major pitfalls to avoid. For a free copy, write to Farmline, Room 505 GHI Bldg., ESS, USDA, Washington, D.C. 20250.

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